

Memorandum

*Flex your power!
Be energy efficient!*

To: ED LAMKIN
Deputy District 2 Director
Maintenance and Operations

Date: June 30, 2008

File: P3030-640

Original Signed By

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: District 2 Maintenance Review

Attached for your information is Audits and Investigations' (A&I) final report for District 2's Maintenance Review. This review was performed as a management service for your consideration in the oversight role of the maintenance office.

We thank you and your staff for your assistance during our review. A&I's review is an independent internal review intended to provide you with feedback for your management's consideration.

If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: Brenda Schimpf, District 2 Director (Acting)
Clyde Aker, Maintenance Manager II
Mark Vukich, Maintenance Supervisor
Karrie Boyd, Regional Administrative Officer
Laurine Bohamera, Chief, Internal Audits

P3030-640
District 2 Maintenance Review
June 2008

Gerald A. Long
Deputy Director
Audits and Investigations
California Department of Transportation

DISTRICT 2 - MAINTENANCE REVIEW

SUMMARY

Audits and Investigations (A&I) has completed a Maintenance Review of District 2 (District). The purpose of the review was to assess whether accounting and administrative procedures were being followed, fiscal data was entered properly into the accounting system, and that proper measures were in effect to safeguard the Department of Transportation's (Department) assets. The review was performed as a management service for your consideration in your oversight role of the Maintenance and Operations unit.

Our examination of the accounting records and control procedures was based on the District's compliance with the Department's Accounting Manual, State Administrative Manual (SAM), and departmental policies and procedures. The scope of our review covered personnel time and payroll records, overtime and warrant distribution procedures, petty cash, damage reports, and other records and tests as deemed necessary.

Our review disclosed that the accounting records and control procedures followed by the District 2 Maintenance and Operations Unit were generally in compliance with the Department's Accounting Manual, SAM, and departmental policies and procedures, except as follows:

- Weakness in the Receiving Process of the Procurement Transaction Cycle
- Untimely Validation of Accident Reports
- CAL-Card Deficiencies

OBJECTIVES

The objectives of the maintenance review were to assess whether accounting and administrative procedures were being followed, fiscal data was entered properly into the accounting system, and proper measures were in effect to safeguard the Department's assets.

SCOPE AND METHODOLOGY

The scope of our review included personnel time and payroll records, overtime and warrant distribution procedures, petty cash, purchases, damage reports, and other records and tests as deemed necessary. Our review did not include a review of cookhouses and bunkhouses, as none exist in this district. Our methodology consisted of interviewing personnel, reviewing records, and performing other analytical procedures and tests as we considered necessary.

The period of the review focused on District 2 transactions and operations from January 1, 2007, through December 31, 2007.

DISTRICT 2 - MAINTENANCE REVIEW

RESULTS

The maintenance review disclosed that District 2 Maintenance and Operations Unit followed accounting and administrative procedures, entered fiscal data properly into the accounting system, and took proper measures to safeguard the Department's assets. However, we identified the following deficiencies where internal controls can be improved:

- Weakness in the Receiving Process of the Procurement Transaction Cycle
- Untimely Validation of Accident Reports
- CAL-Card Deficiencies

For detailed information, please see the Attachment.

We hope this review proves useful in your oversight role of the District 2 Maintenance and Operations Unit. If you have any questions, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107.

Original Signed By

GERALD A. LONG
Deputy Director
Audits and Investigations

April 17, 2008
(Last Day of Field Work)

Attachment

Audit Team:

Laurine Bohamera, Chief, Internal Audits
Juanita Baier, Audit Supervisor
Dawn Beyer, Auditor
Mary Lam, Auditor

DISTRICT 2 - MAINTENANCE REVIEW

ATTACHMENT

Finding 1 – Weakness in the Receiving Process of the Procurement Transaction Cycle

Background:

District 2 uses the Purchase Authority Purchase Order (PAPO) process to procure goods and services. The Department of Transportation's (Department) employees must accurately and timely validate the receipt of appropriately ordered goods and services delivered by suppliers. The signed documented approval of the completed receiving process for procurement validates that the goods and services were indeed received and that payment may be made.

Issue:

We reviewed sixteen PAPOs and associated receiving documents and found that only one of the sixteen receiving documents was signed by the receiver.

Without the signature of the person receiving the delivery, the District loses accountability for the goods it purchases and the risk of potential of loss, theft, or misappropriation of State resources increases.

The Acquisition Manual, Section 7.2 Receiving Process, requires that the Shipping and Receiving Personnel must check shipments to verify that all containers shown on the bill of lading are delivered undamaged. The receiving documents must be signed and completed in acknowledgement of the items described on the bill of lading. In addition, the section goes on to state that when receiving is performed by the requestor, it becomes the requestor's responsibility to check shipments to verify that all containers shown on the bill of lading are delivered undamaged and the receiving documents are signed and completed in acknowledgement of delivery of the items described on the bill of lading.

Recommendation

We recommend that District 2 management enforce the PAPO requirements, including ensuring that receiving documents are completed, dated, and signed in acknowledgement of delivery of the items described on the bill of lading.

Finding 2 – Untimely Validation of Accident Damage Reports

Background:

Accident Damage to the State Highway System is recorded in the Integrated Maintenance Management System (IMMS) by supervisors or superintendents. When the responsible party of the damage is known, a Service Request, Accident Log, and Work Order(s) are created in the

IMMS. Once an accident number is assigned, the cost of the repair can be monitored. After all work orders are completed, the regional office validates the damage report and submits it to the Division of Accounting, Office of Accounts Receivable, Systems and Administration for billing the responsible party. In District 2, the Maintenance Support Unit handles the damage claim process.

Issue:

We reviewed twenty-nine Damage Claim packages and found that nine (31%) of the computer generated accident reports did not meet the 90-day limit for validation. The validations took 110, 125, 140, 160, 166, 177, 182, 196, and 225 days.

The Traffic Collision Report (police report) often takes longer than 90 days to get to the District's Maintenance Support Unit. The Maintenance Support Unit personnel are unable to validate the accident report until they receive the police report. The information in the Traffic Collision Report enables the Department to collect for the damage.

The Maintenance Manual, Section 1.12.3 states that every effort should be made to complete the Damage Reporting process within 90 days. In addition, according to the Damage Reports Project Status Memorandum, dated August 29, 1996, "Establishment of timeframe: Sets 90 days as time limit (from the accident date to billing)."

Delinquency in the receiving of the Traffic Collision Reports slows the identification of the responsible party and hinders the tracking of the cost of repairs. In turn, this delays the validation of the damage reports by the regional office. Consequently, the untimely receipt of these reports delays the Department's ability to collect for the damage. This could result in diminished cost recovery for the Department.

Recommendation

We recommend that District 2 maintenance management work with its local law enforcement offices to develop a process for obtaining Traffic Collision Reports in a timely manner so that the validation process can be performed within the required 90 days.

Finding 3 – CAL-Card Deficiencies

Background:

CAL-Cards are used widely throughout District 2 as an alternate means of procuring goods and services, with delegation of authority passed from Division of Procurements and Contracts (DPAC) to the approving officials (AOs) and cardholders (CHs). CHs are assigned to an AO, who reviews and approves the cardholder's purchase. The CH is responsible for submitting a completed Statement of Account (SOA) package to DPAC. Maintenance may make purchases for necessary items using CAL-Cards.

Issue:

We reviewed 14 CAL-Card SOAs and the corresponding Purchase Requests (PR) and found the following exceptions:

- Fourteen (100%) SOA packages had the PR prepared after the product/service was received.
- Four (29%) of the SOA packages lacked a justification statement.
- Fourteen (100%) of the SOA packages did not have a signature in the “received by” signature block of the form.

It appears that the PRs were not carefully reviewed for completeness. Additionally, without a justification statement and the signature of the person receiving the goods/services, the District loses accountability for the goods/services it purchases and the risk of potential of loss, theft, or misappropriation of State resources increases.

The CAL-Card Handbook, Section 3.1.3 Receiving/Acceptance, requires the cardholder to fill in the “Date Received” and “Received by Signature” areas in the Purchase Card Accounting and Requisition System and on the hard copy of the PR form. Requiring a justification statement on the PR is a good administrative control and would prevent unauthorized or unnecessary CAL-Card purchases to go undetected.

Recommendation

We recommend that District 2 management enforce the CAL-Card requirements, including ensuring that PRs are properly reviewed, signed, and dated when goods are received.